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THE IRON BAY TRUST

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 1976

Note 1

The Trust owns an 80% interest in a mining property in the Bruce Lake area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada Limited until April 30, 2040, and the Trust receives a royalty based on quantities of iron ore pellets shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets.

Note 2

The Trust indenture provides that \$1,000 a year is to be transferred to a Reserve Fund and the balance of receipts after deducting disbursements is to be distributed to the unit holders in the calendar year of receipt.

Note 3

The Trust has an authorized and issued capital of 2,560,005 Trust units.

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File

THE IRON BAY TRUST

TRUSTEES'

interim report

**FOR THE SIX MONTHS ENDED
JUNE 30, 1976**

TRUSTEES

DAVID A. HUNTLEY
641 Davis Drive
Newmarket, Ontario L3Y 4W3
Tel. 884-8902

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto, Ontario
M5H 1B4

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
15 King Street West
Toronto, Ontario
M5H 1B4

THE IRON BAY TRUST

TRUSTEES' INTERIM REPORT

For the six months ended June 30, 1976

To the Trust Unit Holders:

Royalties received from The Griffith Mine during the six months ended June 30, 1976, amounted to \$566,594 from the production of 730,875 tons of iron ore pellets. In addition, \$307,506 was received in July, 1976, from the production of 383,999 tons of pellets.

Details are listed below of the royalties received by the Trust during the period ended June 30, 1976, and also the royalty received in July, 1976:

Production period	Tons of pellets	Royalty per Ton	Royalty	Date Royalty Received
Oct. to Dec., 1975	362,222	74.92¢	\$271,377	Jan., 1976
Jan. to Mar., 1976	368,653	80.08¢	295,217	Apr., 1976
	730,875		566,594	
Apr. to June, 1976	383,999	80.08¢	307,506	July, 1976
	1,114,874		\$874,100	

The royalty of \$307,506 received for the three months ended June 30, 1976, is the highest amount received for any quarter during the history of the Trust.

The royalty rate to the Trust increases each time there is a rise in the Cleveland market price for Lake Superior District iron ore pellets. A 5% increase in the price of pellets has recently been posted by some of the major producers. It is probable that other producers will post similar increases and the royalty rate to the Trust for the production quarter ended September 30, 1976, will rise proportionately.

A quarterly distribution of 11 cents per Trust unit will be paid on August 30, 1976, to unit holders of record on August 13. After this payment, distributions for the year to date will total 32 cents per unit. The distribution for the same quarter in the previous year was 10 cents per unit and total distributions to this point in the previous year were 29 cents per unit.

DAVID A. HUNTLEY and
MONTREAL TRUST COMPANY,

Trustees.

August 23, 1976

GENERAL FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS (Unaudited)

For the six months ended June 30, 1976

Receipts	1976	1975
Royalties	\$566,594	507,851
Interest	4,847	3,254
	<u>571,441</u>	<u>511,105</u>
Disbursements		
Administrative expenses	9,972	8,626
Transfer to Reserve Fund (note 2)	1,000	1,000
Trustees' fees	5,714	5,111
	<u>16,686</u>	<u>14,737</u>
Net receipts available for distribution	554,755	496,368
Distribution to unit holders	537,601	486,401
Net receipts	17,154	9,967
Cash on hand at beginning of year	10	1
Cash on hand at end of period	\$ 17,164	9,968
Distributions per unit	<u>21 cents</u>	<u>19 cents</u>

RESERVE FUND INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS (Unaudited)

For the six months ended June 30, 1976

Receipts	1976	1975
Transfer from General Fund	\$ 1,000	1,000
Interest	539	416
	<u>1,539</u>	<u>1,416</u>
Cash on hand at beginning of year	11,264	9,379
Cash on hand at end of period	<u>\$ 12,803</u>	<u>10,795</u>

THE IRON BAY TRUST

ANNUAL REPORT OF THE TRUSTEES

FOR THE YEAR ENDED DECEMBER 31, 1976

TRUSTEES

DAVID A. HUNTLEY
641 Davis Drive
Newmarket, Ontario
L3Y 4W3
Tel. 884-8902

and

MONTREAL TRUST COMPANY
15 King Street West
Toronto, Ontario
M5H 1B4

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
15 King Street West
Toronto, Ontario
M5H 1B4

THE IRON BAY TRUST

SUMMARY INFORMATION

Mining Property and Royalty

The Iron Bay Trust owns an 80% interest in the mining property of The Griffith Mine. The mine is located near Red Lake, Ontario, and is leased to The Steel Company of Canada, Limited. The Trust receives a royalty based on the tonnage of iron ore pellets shipped from the mine and the royalty rate changes proportionately with changes in the price of iron ore pellets. Increases in the price of pellets have caused the royalty rate to increase from 40 cents per ton in 1969 to 88.1 cents per ton at the present time.

Function of the Trust

The principal function of the Trust is to collect the royalty described above and disburse the royalty to the Trust unit holders in the calendar year of receipt.

Lessee of Mining Property

The Steel Company of Canada, Limited

Name of Project

The Griffith Mine

Three Year Financial Summary

	<u>1976</u>	<u>1975</u>	<u>1974</u>
Royalties received	\$1,201,322	1,032,294	831,827
Distributions to			
Trust Unit Holders	1,186,050	1,014,274	821,762
	46.33 cents	39.62 cents	32.10 cents
	per unit	per unit	per unit
Total Distributions			
to Trust Unit Holders			
from Inception			
to December 31, 1976 .	\$5,912,075	(\$2.31 per unit)	

THE IRON BAY TRUST

GENERAL FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS Year ended December 31, 1976

Receipts	1976	1975
Royalties	\$1,201,322	\$1,032,294
Interest	12,556	7,555
	<u>1,213,878</u>	<u>1,039,849</u>
Disbursements		
Administrative expenses	14,683	14,168
Transfer to Reserve Fund (note 2)	1,000	1,000
Trustees' fees	12,139	10,398
	<u>27,822</u>	<u>25,566</u>
Net receipts available for distribution	1,186,056	1,014,283
Distributions to unit holders	1,186,050	1,014,274
Net receipts	6	9
Cash on hand at beginning of year	10	1
Cash on hand at end of year	<u>\$ 16</u>	<u>\$ 10</u>
Distributions per unit	<u>46.33 cents</u>	<u>39.62 cents</u>

RESERVE FUND STATEMENT OF RECEIPTS AND DISBURSEMENTS Year ended December 31, 1976

Receipts	1976	1975
Transfer from General Fund	\$ 1,000	\$ 1,000
Interest	1,109	885
	<u>2,109</u>	<u>1,885</u>
Cash on hand at beginning of year	11,264	9,379
Cash on hand at end of year	<u>\$ 13,373</u>	<u>\$ 11,264</u>

THE IRON BAY TRUST

ANNUAL REPORT OF THE TRUSTEES

For the year ended December 31, 1976

To the Trust Unit Holders:

Royalties received during 1976 from The Griffith Mine amounted to \$1,201,322 compared to \$1,032,294 in 1975. The Trust receives its production royalties on a quarterly basis in the month following the end of each calendar quarter. The following is a schedule of the amounts received in 1976:

<u>Shipment Period</u>	<u>Tons of Pellets</u>	<u>Royalty per Ton</u>	<u>Royalty</u>	<u>Date Royalty Received</u>
October to December, 1975	362,222	74.92 cents	\$ 271,377	January, 1976
January to March, 1976 ...	368,653	80.08 cents	295,217	April, 1976
April to June, 1976 ...	383,999	80.08 cents	307,506	July, 1976
July to September, 1976	388,219	84.29 cents	327,222	October, 1976
	<u>1,503,093</u>		<u>\$1,201,322</u>	

Comparative details for 1975 are as follows:

<u>Shipment Period</u>	<u>Tons of Pellets</u>	<u>Royalty per Ton</u>	<u>Royalty</u>	<u>Date Royalty Received</u>
October to December, 1974	382,395	64.47 cents	\$ 246,538	January, 1975
January to March, 1975 ...	369,462	70.72 cents	261,313	April, 1975
April to June, 1975 ...	385,970	71.74 cents	276,910	July, 1975
July to September, 1975	330,396	74.92 cents	247,533	October, 1975
	<u>1,468,223</u>		<u>\$1,032,294</u>	

Royalty receipts and distributions to unit holders have continued at record high levels for the Trust. The year 1976 marks the ninth consecutive year in which royalty receipts and distributions to unit holders have been higher than in the previous year.

Royalties for the production period October to December, 1976, amounted to \$330,119 from the production of 391,656 tons of pellets. Payment was received in January, 1977.

There were two increases in the price of iron ore pellets during 1976 with the effect that the royalty rate escalated from 74.92 cents per ton at the beginning of the year to 84.29 cents per ton at the end of the year. A further increase in the price of pellets in 1977 will have the effect of increasing the royalty rate to 88.1 cents per ton.

Four distributions totalling 46.33 cents per unit were paid to unit holders during the year for an aggregate distribution of \$1,186,050. During the previous year, four distributions totalling 39.62 cents per unit were paid for an aggregate distribution of \$1,014,274. The following are details of the amounts paid in 1976:

<u>Royalty Distribution Number</u>	<u>Amount per Unit</u>	<u>Record Date</u>	<u>Payment Date</u>
26	10 cents	February 6	February 23
27	11 cents	May 14	May 31
28	11 cents	August 13	August 30
29	14.33 cents	November 12	November 29
	<u>46.33 cents</u>		

A quarterly distribution of 12 cents per unit will be paid on February 28, 1977, to unit holders of record on February 11.

DAVID A. HUNTLEY and
MONTREAL TRUST COMPANY,
Trustees.

February 16, 1977.

THE IRON BAY TRUST

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 1976

1. The Trust owns an 80% interest in a mining property in the Bruce Lake area, District of Kenora, Ontario. The mining property is leased to The Steel Company of Canada, Limited until April 30, 2040, and the Trust receives a royalty based on quantities of iron ore pellets shipped from the mine. The royalty rate is subject to change in proportion to changes in the prevailing Cleveland market price for Lake Superior District iron ore pellets.
2. The Trust indenture provides that \$1,000 is to be transferred annually to a reserve fund and the balance of receipts after deducting disbursements is to be distributed to the unit holders in the calendar year of receipt.
3. The Trust has an authorized and issued capital of 2,560,005 Trust units.

AUDITORS' REPORT

To the Unit Holders of
The Iron Bay Trust

We have examined the statements of receipts and disbursements of the General Fund and the Reserve Fund of The Iron Bay Trust for the year ended December 31, 1976. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the cash transactions of the Trust for the year ended December 31, 1976 and the balance of cash on hand at that date.

THORNE RIDDELL & CO.

Chartered Accountants

Toronto, Canada
January 6, 1977

Printed in Canada